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Sent: Wednesday, March 31, 2021 9:11 AM
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Subject: Regional Council Decision - 2021 Property Tax Ratios

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On March 25, 2021 Regional Council made the following decision:

1. The property tax ratios for the 2021 taxation year be as follows:

Broad Property Class	Proposed 2021 Tax Ratios
Multi-Residential	1.0000
Commercial (incl. office)	1.3321
Industrial	1.6432
Pipelines	0.9190
Farmland	0.2500
Managed Forests	0.2500
Landfill	1.1000

2. Council approve a bylaw to implement the tax ratios
3. The Regional Clerk circulate this report to the local municipalities

The original staff report is attached for your information.

Please contact Edward Hankins, Director, Treasury Office and Deputy Treasurer at 1-877-464-9675 ext. 71644 if you have any questions with respect to this matter.

Regards,

Christopher Raynor | Regional Clerk, Office of the Regional Clerk, Corporate Services

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The Regional Municipality of York

Committee of the Whole
Finance and Administration
March 11, 2021

Report of the Commissioner of Finance

2021 Property Tax Ratios

1. Recommendations

1. The property tax ratios for the 2021 taxation year be as follows:

Broad Property Class	Proposed 2021 Tax Ratios
Multi-Residential	1.0000
Commercial (incl. office)	1.3321
Industrial	1.6432
Pipelines	0.9190
Farmland	0.2500
Managed Forests	0.2500
Landfill	1.1000

2. Council approve a bylaw to implement the tax ratios
3. The Regional Clerk circulate this report to the local municipalities

2. Summary

This report proposes property tax ratios for the 2021 taxation year.

Key Points:

- Tax ratios reflect how the tax rate of a given property class compares to the residential tax rate, with the residential class tax ratio being equal to “one”. They have the effect of distributing the tax burden between classes.

- In 2017, Council adopted the use of “revenue neutral tax ratios” for the four-year phase-in of the 2016 property reassessment prepared by the Municipal Property Assessment Corporation (MPAC), which ended with the 2020 taxation year.
- MPAC intended to release a new property assessment in 2020 to be implemented for the 2021-2024 taxation years. However, due to the COVID-19 pandemic, the Province has deferred the implementation of the next reassessment until a future date that has yet to be announced.
- The Province has mandated that property assessments used for the 2020 taxation year remain in place for 2021. As a result, adopting the same tax ratios approved in 2020 will ensure that there is no shift in tax burden between classes for the 2021 taxation year.

3. Background

Tax ratios influence the share of taxation paid by each class of property

Tax ratios influence the relative share of taxation borne by each property class. The tax rate for a given property class is determined by multiplying the residential tax rate by the tax ratio for the class. For example, if the proposed tax ratios are adopted, the tax rate for a property in the commercial class would be 1.3321 times the residential tax rate per one hundred dollars of assessment. Table 1 shows the tax ratios the Region has had in place since 2013.

Table 1
Property Tax Ratios Since 2013 Taxation Year

Property Class*	2013-2016 Ratios	2017 Ratios	2018 Ratios	2019 Ratios	2020 Ratios	2021 Ratios (Proposed)	Ranges of Fairness**
Reassessment Year	2012	2016					
Residential	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Multi-Residential	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0 to 1.1
Commercial (incl. office)	1.1172	1.1813	1.2323	1.2794	1.3321	1.3321	0.6 to 1.1
Industrial	1.3124	1.4169	1.4973	1.5704	1.6432	1.6432	0.6 to 1.1
Pipelines	0.9190	0.9190	0.9190	0.9190	0.9190	0.9190	0.6 to 0.7
Farmland	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.25
Managed Forests	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.25
Landfill	-	1.1000	1.1000	1.1000	1.1000	1.1000	0.6 to 1.1

* Note that tax ratios are generally only adjusted for the business classes as Council's policy has been to maintain tax ratios for multi-residential, farmland, managed forests and pipelines.

** Ranges of fairness are the ranges of tax ratios established by the Province with the aim to ensure equity among the classes, meaning one dollar of assessment value should generate the same amount of tax revenue regardless of class. In addition, the Ranges of Fairness promote a fairness principle in which the level of taxation on a class is related to the cost of providing services to that class. Business classes typically consume fewer municipal services than residential classes.

Revenue neutral tax ratios were adopted for 2017 to 2020

MPAC determines the assessed value used for taxation purposes of all properties within Ontario. Since the 2009 taxation year, the reassessment of properties has taken place every four years, with increases phased-in equally over the following four years. For the 2017 to 2020 taxation years, properties were assessed based on their valuation as of January 1, 2016.

In the 2016 reassessment, the value of the residential property class in York Region increased at a significantly faster rate than other classes. In response to the reassessment outcomes, Council decided to adopt "revenue neutral tax ratios" for the 2017 to 2020 taxation years which had the result of shifting taxation impact of the reassessment primarily from residential class to both business classes. Revenue neutrality adjusts the tax ratios in a manner that results in each broad property class bearing the same proportion of the tax burden regardless of the shift in its share of the total assessment of all properties in the Region.

COVID-19 has resulted in the Province's delay of the next reassessment

Prior to the COVID-19 situation, MPAC planned to release their results from the new reassessment of properties in 2020. On March 25, 2020, in view of the unprecedented challenges that municipalities, residents and businesses were facing, the Province announced the reassessment will be postponed and the 2021 property taxes will be based on property values in effect for the 2020 taxation year. Currently, there is no specific information on how the delay of the implementation of the new reassessment could affect future taxation cycles.

4. Analysis

Due to the freezing of assessment values in 2021 by the Province in response to COVID-19, municipalities are offered fewer tax ratio options than in prior years.

Adopting 2020 tax ratios for 2021 accomplishes Council's goal of Revenue Neutrality

Revenue neutral tax ratios result in the share of revenue collected from each property class within the Region, remaining the same as prior to reassessment. Since the 2020 reassessment was postponed and assessment values used for the 2020 taxation year will be

maintained for the 2021 taxation year, no change to the Region's tax ratios is required to maintain revenue neutrality.

Municipalities may only change tax ratios if selecting a ratio within the provincially defined range of fairness

The Province is not making any new revenue neutral tax ratios available for municipalities through the Provincial Online Property Tax Analysis (OPTA) system this year. For 2021, municipalities can maintain their current ratios or select alternative ratios within the "range of fairness."

The Ranges of Fairness prescribed by the Province for commercial and industrial properties are lower than the Region's 2020 existing ratios. Choosing alternative rates within these ranges would result in shifting the relative tax burden towards the residential properties, which is inconsistent with the Region's Council-approved tax policy.

Table 2
Proposed Tax Ratios for 2021

	2020 Actual	2021 (Proposed)
Residential	1.0000	1.0000
Multi-Residential	1.0000	1.0000
Commercial (incl. office)	1.3321	1.3321
Industrial	1.6432	1.6432
Pipelines	0.9190	0.9190
Farmland	0.2500	0.2500
Managed Forests	0.2500	0.2500
Landfill*	1.1000	1.1000

*Currently, the Region has landfill properties as payment-in-lieu only and not as a taxable property class.

Commercial and Industrial tax ratios are still competitive among GTA municipalities

Despite adopting revenue tax ratios for 2020, the Region still had the second lowest tax ratios for commercial and industrial properties.

When translated to tax rates, the Region's 2020 commercial tax rate was lower than Durham, Mississauga and Brampton (only York Region has the identical regional tax rates for every municipality in its jurisdiction) and is competitive with Halton municipalities. Among 905 municipalities York's industrial tax rate remains lower than Halton and Durham and competitive with Mississauga, but behind Brampton and Caledon.

Compared to the City of Toronto, all nine York Region municipalities have a lower combined (Regional, Local, and Education) commercial property tax rate than the City of Toronto. Eight of the nine York Region municipalities have a lower industrial tax rate than Toronto, with Georgina being slightly higher (2.394474% for Georgina vs 2.328711% for Toronto).

Chart 1

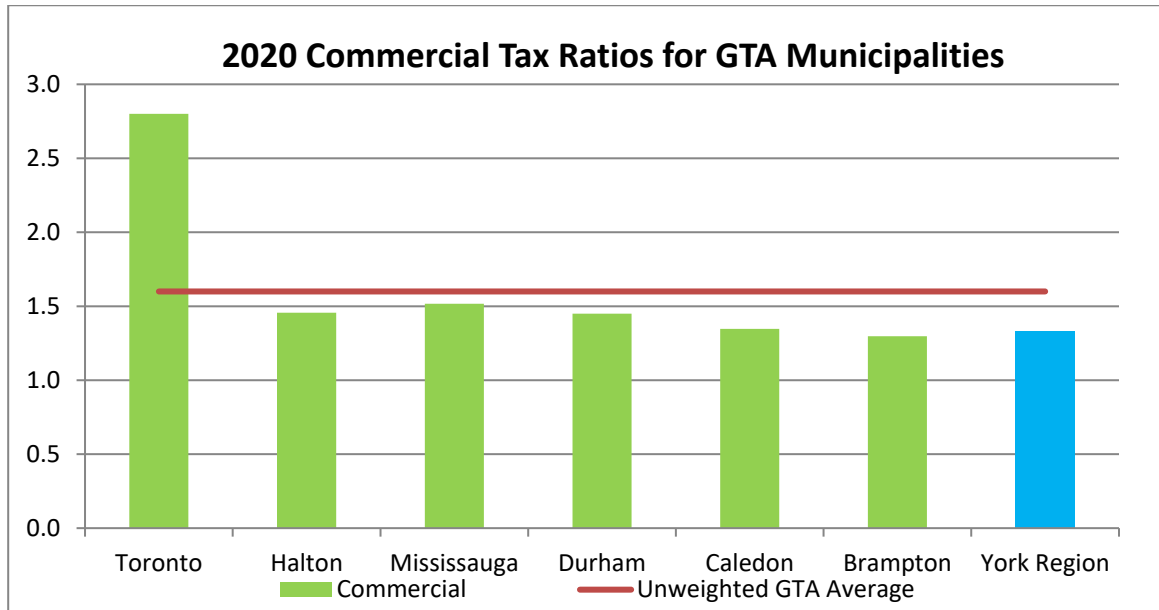
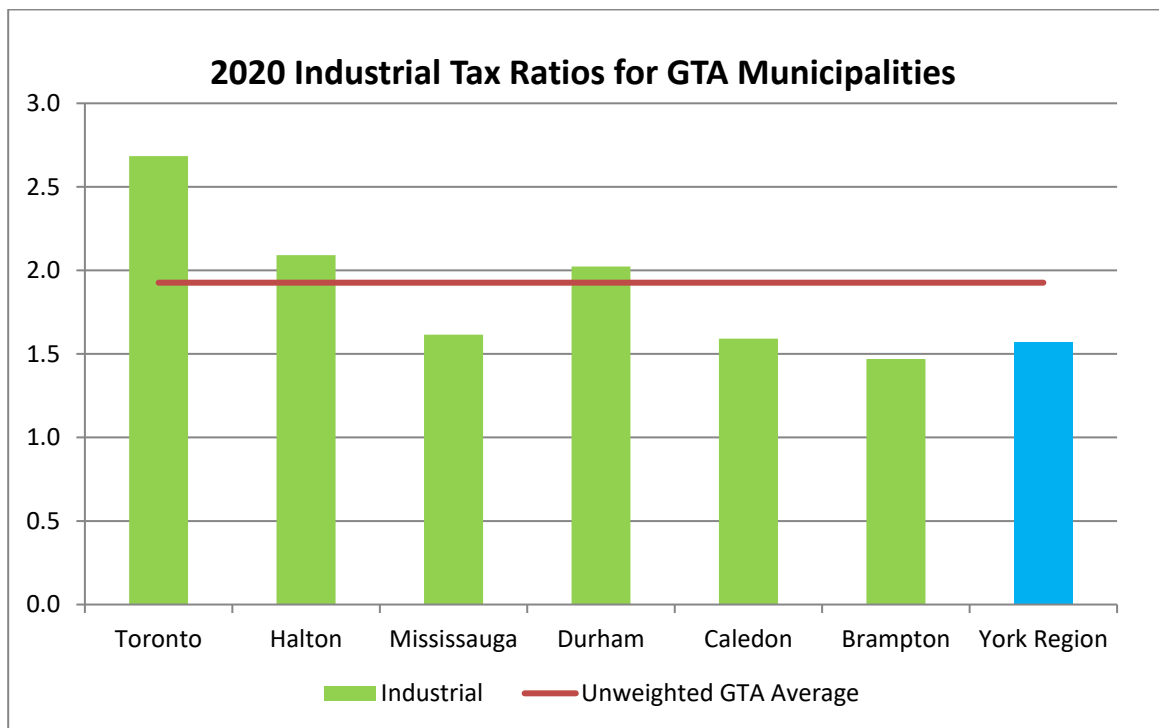


Chart 2



Stakeholder consultations will inform staff recommendations on tax ratio policy for the next reassessment cycle

In 2020, Council authorized staff to consult with stakeholders, including local municipalities, businesses and residents, to help inform its tax ratio recommendations. As a result of the provincial decision to postpone the next reassessment cycle, the consultations have been delayed.

As noted earlier, tax ratios determine how property taxes are shared among the various classes. They can also influence competitiveness of the Region to attract and maintain businesses. Since 2017, the adoption of revenue neutral tax ratios has resulted in businesses in York Region paying an increasingly higher property tax rate compared with residential properties with the same assessed value than in prior years. The current ratios of 1.3321 for Commercial class, 1.6432 for Industrial class and 0.9190 for Pipelines are all outside of the Province's stated "Range of Fairness". The new reassessment cycle provides the best opportunity for the Region to determine whether adjustments to its tax ratio policy would be in the best interests of the Region. Upon receipt of new reassessment outcomes from MPAC, staff will prepare an analysis on the impact to each of the property classes for different potential tax policy options.

The timing of the Provincial announcement on the Optional Subclass for Small Business Properties has delayed the consideration of this matter until 2022

As described in the ["COVID-19 Property Tax Relief Measures for Businesses" Memo to Council in January 2021](#), the Province announced in the 2020 Ontario Budget that it would amend the Assessment Act to allow municipalities to reduce the property taxes for eligible small businesses through the establishment of a new "optional" small business subclass, beginning with the 2021 taxation year. Municipalities who implement the subclass will have the ability to define what constitutes a small business property. However, the property data for the 2021 taxation year had already been delivered to the municipalities and municipalities are still awaiting regulations from the Province. The implementation of property subclasses typically involves a lengthy process, many municipalities have expressed concerns regarding lacking time to properly implement the subclass and have either deferred or are considering deferring a decision until the 2022 taxation year. As the 2021 taxation needs to be finalized to allow local municipalities to issue billings, it is recommended that a decision on small business optional subclass be deferred until 2022, while staff conduct sufficient due diligence on the issue.

5. Financial

The adoption of tax ratios enables the Region to set tax rates to raise the amount of revenue Council approves through the annual budget process.

6. Local Impact

Maintaining 2020 assessment values and tax ratios has resulted in only minimal tax shifts between municipalities

By maintaining 2020 assessment values for the 2021 taxation year, the only changes to assessment rolls were due to growth. As a result, the relative tax burden borne by each municipality experienced only negligible shifts from 2020.

Consultations regarding the tax ratio setting for the next reassessment cycle will be held in conjunction with local municipal staff.

7. Conclusion

The proposed 2021 tax ratios will raise the property tax levy requirement to be approved by Council in the 2021 budget.

For more information on this report, please contact Edward Hankins, Director, Treasury Office and Deputy Treasurer at 1-877-464-9675 ext. 71644. Accessible formats or communication supports are available upon request.

Recommended by:

Laura Mirabella

Laura Mirabella, FCPA, FCA

Commissioner of Finance and Regional Treasurer

Approved for Submission:



Bruce Macgregor

Chief Administrative Officer

February 24, 2021

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